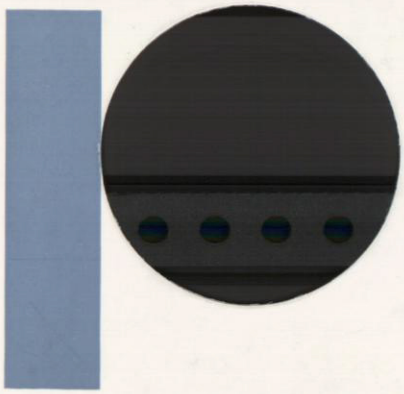
ANNUAL REPORT 1957

AMERICAN BROADCASTING • PARAMOUNT THEATRES, INC.



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BOARD OF DIRECTORS

EARL E. ANDERSON
Vice President and Secretary of Beech-Nut Life Savers, Inc.

A. H. BLANK
A director of Tri-States Theatre Corporation*

JOHN A. COLEMAN
Chairman of the Executive Committee of the Corporation and Senior Partner, Adler Coleman & Co.

CHARLES T. FISHER, JR.
President of National Bank of Detroit

E. CHESTER GERSTEN
A director and member of the Executive Committee of Bankers Trust Company, New York

LEONARD H. GOLDENSON
President of the Corporation

ROBERT H. HINCKLEY
Vice President of the American Broadcasting Division

ROBERT L. HUFFINES, JR.
Chairman of the Board of Frank G. Binswanger, Inc., Southern Division, and a director of Textron, Inc.

SIDNEY M. MARKLEY
Vice President of the Corporation

WALTER P. MARSHALL
President of The Western Union Telegraph Company

H. HUGH McCONNELL
Second Vice President of Metropolitan Life Insurance Company

EDWARD J. NOBLE
Chairman of the Finance Committee of the Corporation and Chairman of the Board of Directors and Chief Executive Officer of Beech-Nut Life Savers, Inc.

JAMES G. RIDDELL
President of WXYZ, Inc.* (Executive Vice President of the American Broadcasting Division, effective July 1, 1958)

SIMON B. SIEGEL
Financial Vice President and Treasurer of the Corporation

ROBERT B. WILBY
A director of Alabama Theatres, Inc.* and North Carolina Theatres, Inc.*

*A subsidiary of the corporation

OFFICERS

LEONARD H. GOLDENSON
President

SIMON B. SIEGEL
Financial Vice President and Treasurer

ROBERT H. HINCKLEY
Vice President

EDWARD L. HYMAN
Vice President

SIDNEY M. MARKLEY
Vice President

JEROME B. GOLDEN
Secretary and General Counsel

JAMES L. BROWN
Comptroller and Assistant Treasurer

STEPHEN C. RIDDLEBERGER
Assistant Treasurer

OMAR F. ELDER, JR.
Assistant Secretary

EDITH SCHAFFER
Assistant Secretary

MORTIMER WEINBACH
Assistant Secretary

Price Waterhouse & Co., Independent Accountants

Bankers Trust Company, Transfer Agent

The Bank of New York, Registrar

AMERICAN BROADCASTING • PARAMOUNT THEATRES, INC.

Executive Offices: 1501 Broadway, New York 36, N. Y.

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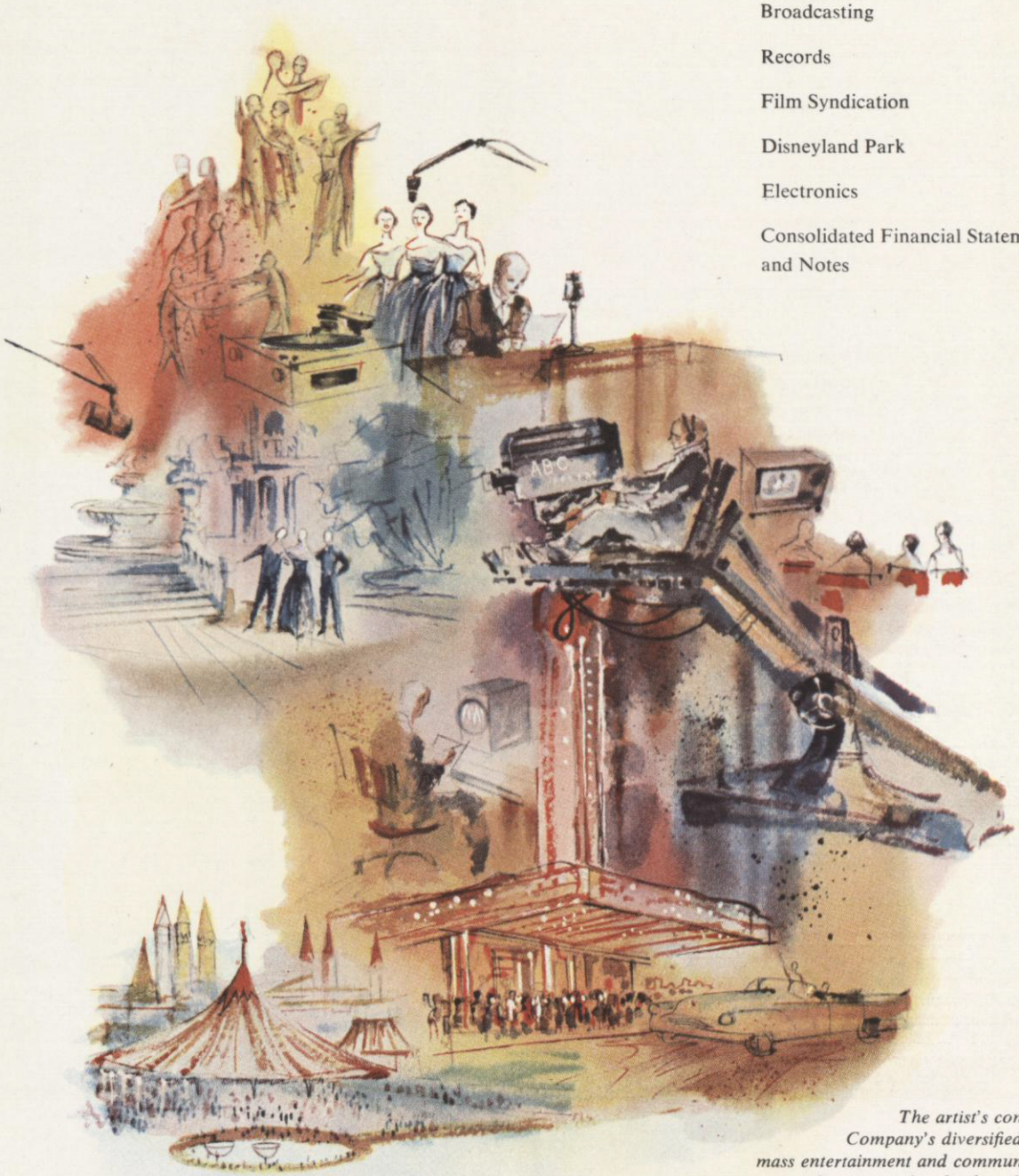

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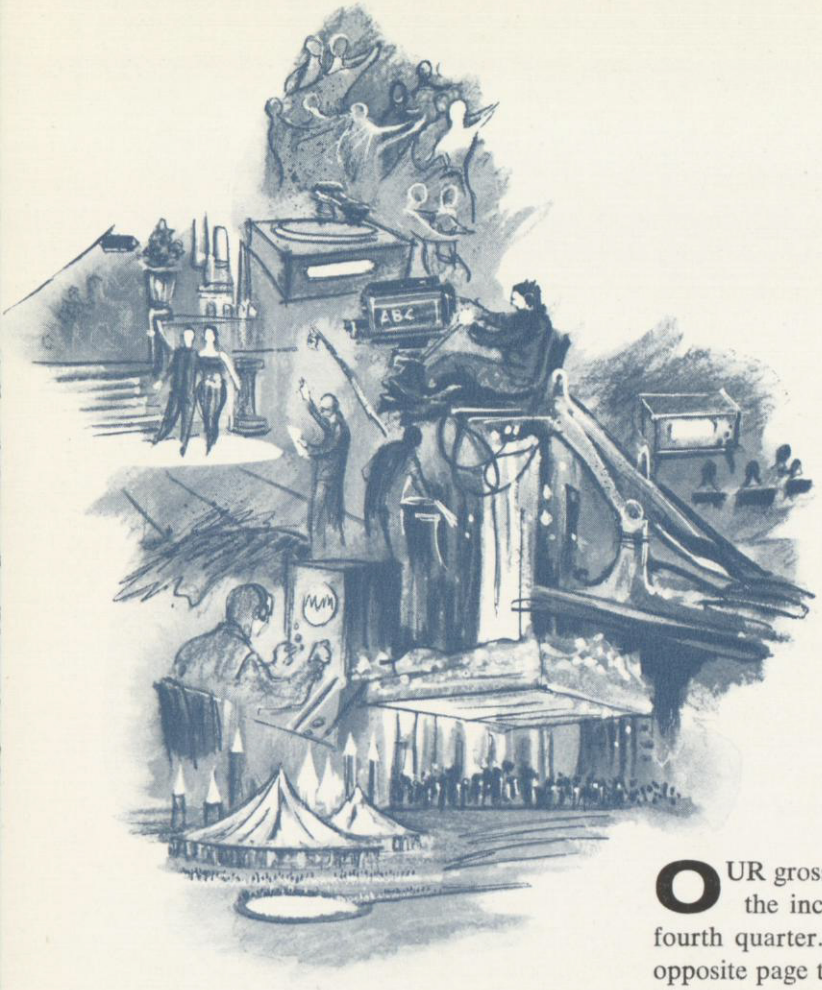
The artist's conception of the Company's diversified interests in mass entertainment and communications—television and radio broadcasting, motion picture theatres and production, phonograph records, amusement centers and electronics.

The Year in Brief

	1957	1956
INCOME		
Theatre operating income	$ 95,280,000	$100,565,000
ABC operating income	109,393,000	98,759,000
Merchandise sales and other income	11,204,000	7,592,000
Total	$215,877,000	$206,916,000
EXPENSES		
Operating and general expenses	$190,948,000	$176,300,000
Interest	2,071,000	1,427,000
Depreciation	7,283,000	7,884,000
State, local and payroll taxes	5,790,000	5,580,000
Federal income tax	4,885,000	7,990,000
Total	$210,977,000	$199,181,000
NET PROFIT		
Operations	$ 4,900,000	$ 7,735,000
Capital gains (losses)	(6,000)	742,000
Total	$ 4,894,000	$ 8,477,000
Per share common:		
Operations	$1.10	$1.78
Capital gains	—	$ .18
Combined	$1.10	$1.96
DIVIDENDS PAID		
Total	$ 4,482,000	$ 5,742,000
Per share preferred	$1.00	$1.00
Per share common	$1.00	$1.30
Number of preferred shares	323,399	348,999
Number of common shares	4,149,363	4,145,809
FINANCIAL POSITION		
Working capital	$ 45,848,000	$ 41,200,000
Fixed assets (net)	$ 68,917,000	$ 69,501,000
Long term debt	$ 52,209,000	$ 45,637,000
Net worth	$ 83,718,000	$ 83,883,000
Per share common	$18.62	$18.55
GENERAL		
Stockholders of record	24,430	
Operating theatres	537	
ABC-TV Network affiliates	216	
ABC-Radio Network affiliates	299	



President's Letter to Shareholders

OUR gross income was at a record level in 1957, largely due to the increase in ABC television volume, particularly in the fourth quarter. You will note from the financial highlights on the opposite page that earnings were lower than the prior year. As previously reported to our shareholders, this was due to the restricted return from our ABC Division for the first nine months of the year coupled with the decline in the theatre industry generally in the fourth quarter.

I am pleased to report that with the start of the new 1957-58 season this past Fall, our television operation has shown fine improvement. In this period, ABC-TV attained the largest percentage increase in gross time billings of all the networks. The calibre of ABC programs and the increased number of primary affiliated stations carrying our network shows have resulted in impressive audience gains for ABC-TV. These factors have been recognized by advertisers, indicating the more fully competitive three network status.

In the current television season top personalities such as Pat Boone, Frank Sinatra, Patrice Munsel and Sid Caesar and Imogene Coca have been added to our programming as well as many other new programs which have proved successful. It is significant that the success of the program MAVERICK has changed the Sunday evening viewing habits across the country in the face of difficult competition. Such popular favorites as LAWRENCE WELK, DISNEYLAND, THE VOICE OF FIRESTONE, OZZIE AND HARRIET, CHEYENNE and WYATT EARP continued on the network. During the year, programming was expanded in the daytime period.

As a result of the improved network programming starting this past Fall, together with stronger local and public service program-

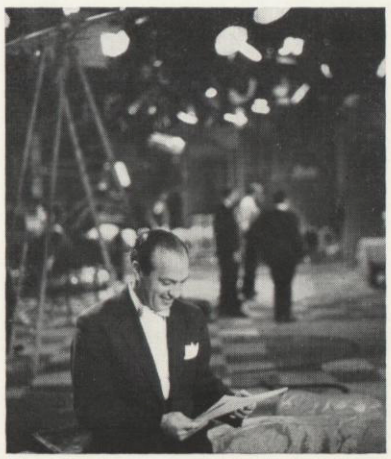
ming, our owned and operated television stations have been showing fine progress and improved profits.

Network radio business generally has been adversely affected by changing radio listening habits with emphasis on local programming, following the rise of television over the past several years. Efforts have been made this past year to overcome the unprofitable trend by instituting new programming concepts which are discussed in the radio section of this report.

Our theatre business compared favorably with the previous year through the first three quarters. However, in the fourth quarter, the flu epidemic, coupled with a lack of motion pictures attractive to the public, resulted in a sharp decline in theatre attendance in our operations as well as in the industry in general. There was a substantial rebound in our theatre business at the turn of 1958 with the showing of a number of top attractions, such as SAYONARA, PEYTON PLACE, RAINTREE COUNTY and FAREWELL TO ARMS. The quality and number of pictures available are key factors in determining the level of the motion picture business. The theatre-going public, more selective than in the past, will respond in great numbers to good motion picture entertainment.

The Company's subsidiaries, as well as businesses in which we have an interest, have shown good results. Our record subsidiary, Am-Par Records, has had success in the development of talented young artists and in the number of records that have achieved national prominence. ABC Film Syndication materially expanded its sales of television film series. Disneyland Park, in which we have a 35% interest, showed improvement in its second year of operation. The electronic companies, in which we also have an interest, enlarged the scope of their operations.

The Company has maintained a strong financial position. Both working capital and cash funds increased over the prior year. This condition is advantageous in view of the large capital requirements necessary to accommodate the expanding needs in programming and in physical facilities of the television network and owned stations.



We are pleased to report the election of Simon B. Siegel and James G. Riddell as directors. Mr. Siegel is Financial Vice President and Treasurer of the Company and Mr. Riddell, in charge of ABC's owned radio and television stations in Detroit, becomes Executive Vice President of the ABC Division of the Company in July.

On behalf of the Board of Directors, we wish to acknowledge our appreciation for the continued support of our shareholders and the diligence and resourcefulness of our employees.

Sincerely,

Leonard H Goldenson

March 14, 1958 *President*

Financial and Operating Review

NET EARNINGS

Operating earnings after taxes for 1957 were $4,900,000 or $1.10 per share common as compared with $7,735,000 or $1.78 per share for the previous year.

NET EARNINGS AFTER TAXES

	1957	1956
Operations	$4,900,000	$7,735,000
Capital gains (losses)	(6,000)	742,000
Total	$4,894,000	$8,477,000
Preferred dividends paid	$ 334,000	$ 362,000
Net applicable to common	$4,560,000	$8,115,000
Per share common:		
Operations	$1.10	$1.78
Capital gains	—	.18
Combined	$1.10	$1.96

DIVIDENDS

Total dividends paid to shareholders in 1957 were $4,482,000. Of this amount $4,148,000 or $1.00 per share represented common stock dividends. An extra 30¢ year end dividend had been paid in the previous year. Dividend restrictions under the loan agreement are set forth in the notes to the financial statements.

INCOME

Total income was $215,877,000, the highest for the Company. Operating income for the ABC Division and the theatres respectively were $109,393,000 and $95,280,000 compared with $98,759,000 and $100,565,000 in the prior year. The decrease in theatre income as discussed in the President's letter and in the theatre section, occurred principally in the fourth quarter.

TAXES

Tax payments for the year remained high and are detailed in the table below.

TAXES

	1957
Federal income (less $187,000 applicable to capital losses, net)	$ 4,698,000
Real estate, personal property and State franchise	3,828,000
State income	121,000
Payroll taxes	1,219,000
Sales, gross receipts, etc.	622,000
Total	$10,488,000

SOURCE AND APPLICATION OF FUNDS

Working capital of $45,848,000 at the year end showed an increase of $4,648,000 over the prior year. The cash position remained strong with cash and government securities at $30,684,000.

The high level of inventory and receivables were due to the increased volume of business and expanding requirements of the ABC Television Network.

Total depreciation amounted to $7,283,000, of which $5,642,000 was attributed to theatres, $1,549,000 to the ABC Division and $92,000 to other properties. Of theatre depreciation, $3,000,000 was reinvested in property additions and improvements and $646,000 for completion of alterations in the State Lake Building, Chicago, to house the offices and facilities for ABC's television station WBKB. Capital expenditures of ABC amounted to $3,271,000, comprising in part the planned expansion of physical facilities to accommodate the increasing needs of the television network. A

SOURCE AND APPLICATION OF FUNDS

		1957
Working capital at December 29, 1956		$41,200,000
Source of funds		
Net income from operations	$4,900,000	
Provision for depreciation	7,283,000	
Cash proceeds from capital gains transactions, after taxes thereon	588,000	
Additional financing under loan agreement	6,166,000	
Collection of notes receivable	1,031,000	
Other, net	669,000	20,637,000
		$61,837,000
Application of funds		
Dividends paid—Preferred	$ 334,000	
Common	4,148,000	
Purchase of preferred stock	502,000	
Fixed asset additions and replacements	7,246,000	
Investments in affiliated companies	3,101,000	
Purchase of Allegheny Broadcasting Corporation—properties of Station KQV, Pittsburgh	658,000	15,989,000
Working capital at December 28, 1957		$45,848,000

technical building, the first of several planned projects, was just completed on the West Coast television studio property. Fixed asset additions of subsidiaries engaged in other operations amounted to $329,000.

LONG TERM DEBT

Under the agreement which our Company concluded in December 1956 with Metropolitan Life Insurance Company and five banks, there was outstanding on December 28, 1957, $7,500,000 of 3.95% notes, payable semi-annually from July 1, 1959 to January 1, 1962, and a 4.2% note in the amount of $42,500,000 having serial maturities from July 1, 1962 to July 1, 1977. The 3.95% notes were issued to the five banks in December 1956 and, in accordance with the Company's policy of staying one year ahead of payment of debt maturities, two semi-annual maturities, aggregating $2,500,000, were prepaid during the year. The 4.2% note was issued to the insurance company on May 31, 1957, $33,834,000 of the proceeds being applied to the balance then owing to the insurance company, the remaining proceeds being added to working capital. Since it appears that the capital requirements for color television will not materialize to any substantial extent during 1958, the loan agreement has recently been amended so as to extend to the first nine months of 1959, in lieu of the first nine months of 1958, the period during which an additional $5,000,000 is to be taken down, plus a further $5,000,000 at the option of the Company. The additional borrowing, and the optional borrowing, if taken down, will be evidenced by 4.2% notes maturing on January 1, 1978.

CHANGES IN CAPITAL STOCK

The Company continued to purchase preferred stock on the open market. During the year 25,600 shares were purchased at an average price of $19.38 per share.

Options for 20,000 shares of common stock exercisable on or before March 23, 1963 at $25.18 per share are outstanding. All other options have either been exercised or have expired.

BOOK VALUE OF COMMON STOCK

At the year end, book value of the common stock was $77,251,000 or $18.62 per share. This compared with $76,903,000 or $18.55 per share at the close of 1956.

Theatres

Our theatre business compared favorably with the previous year through the first nine months of 1957. It declined in the fourth quarter, as was the case for the entire industry, primarily because of the effects of the Asian flu epidemic on theatre attendance and a lack of high calibre "box-office" pictures.

Industry surveys confirm that there is a very large movie-going audience potential and that the public will respond in great numbers to appealing box-office attractions. This is substantiated by the good business results starting in January, 1958, with the playing of a number of top pictures such as SAYONARA, THE SAD SACK, PEYTON PLACE, OLD YELLER, DON'T GO NEAR THE WATER, RAINTREE COUNTY, FAREWELL TO ARMS and THE BRIDGE ON THE RIVER KWAI. Some of the promising pictures that will be playing in theatres in 1958 are shown on the following pages of this report.

Correction is desirable in the spacing of the release of quality pictures by distributors so that there is an even flow throughout the

Among the Fine Motion Pictures To Be Shown in Theatres in 1958

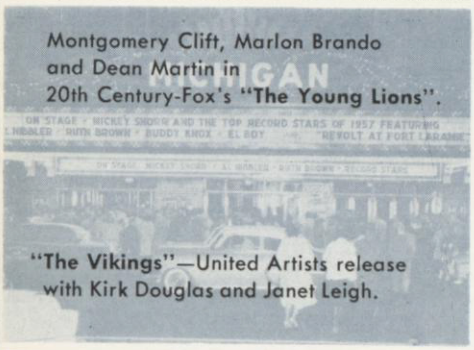
Columbia's **"The Key"** stars William Holden and Sophia Loren.

MGM's **"Gigi"** with Leslie Caron, Maurice Chevalier and Louis Jourdan.

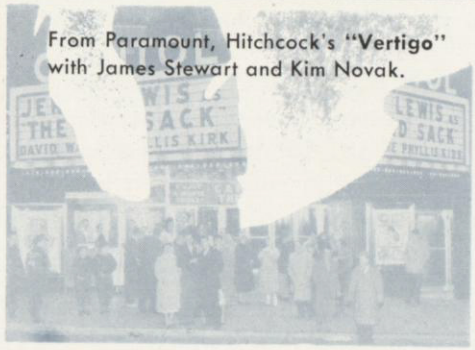
"**South Pacific**" from 20th Century-Fox in Todd-AO stars Mitzi Gaynor and Rossano Brazzi.

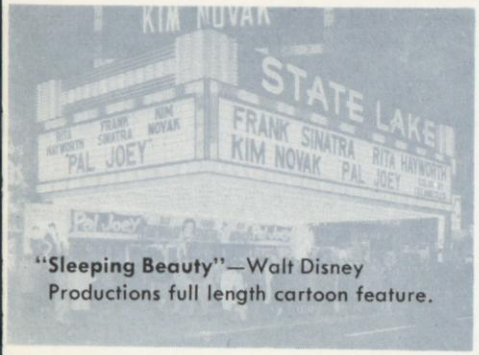
Montgomery Clift, Marlon Brando and Dean Martin in 20th Century-Fox's "**The Young Lions**".

From Paramount, Hitchcock's "**Vertigo**" with James Stewart and Kim Novak.

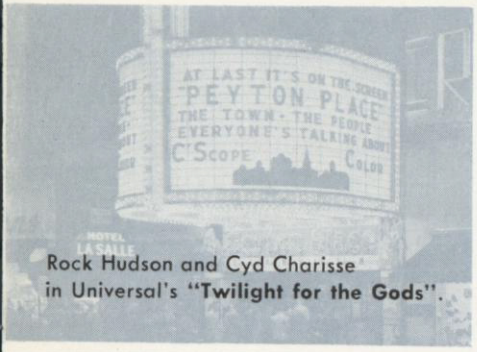


"**The Vikings**"—United Artists release with Kirk Douglas and Janet Leigh.

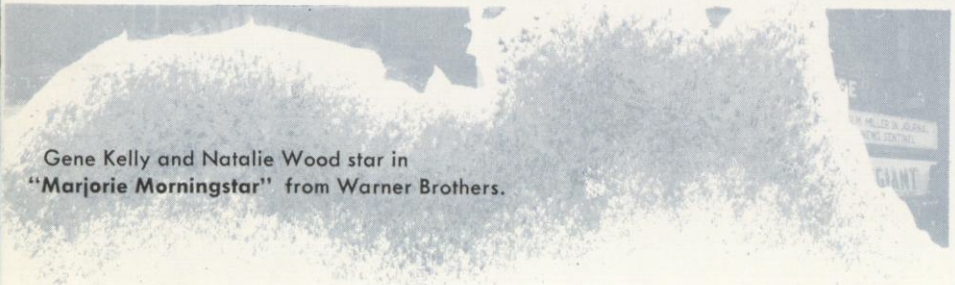




"**Sleeping Beauty**"—Walt Disney Productions full length cartoon feature.



Rock Hudson and Cyd Charisse in Universal's "**Twilight for the Gods**".



Gene Kelly and Natalie Wood star in "**Marjorie Morningstar**" from Warner Brothers.

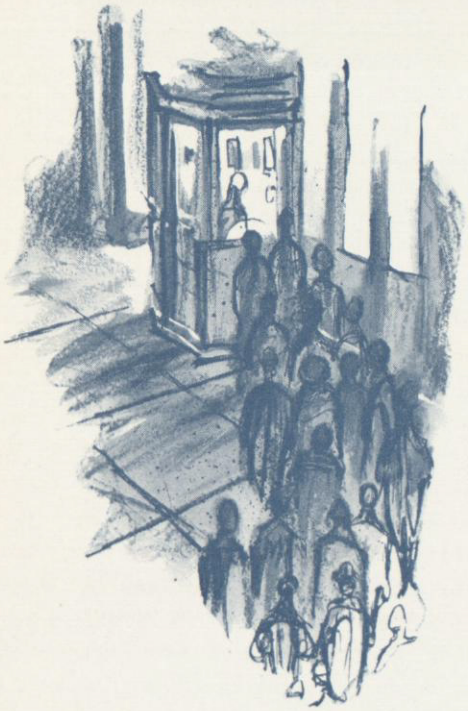
year rather than a concentration during the major holiday seasons and a short supply of top attractions at other times.

Television along with other forms of entertainment has been a strong competitor of theatre movie-going for the public's leisure time. However, the recent saturation of better quality old motion pictures on television has been recognized as a problem to theatre business by both the production and exhibition interests of the industry and serious consideration is currently being given to this matter.

With the emphasis on quality in the production of motion pictures in view of greater selectivity of the movie-going public, it is evident that theatres must offer the maximum in comfort and conveniences. Fewer and better theatres are required, based on the general economic characteristics of the industry today. In this regard, our Company is maintaining its theatres to fully provide for patrons' comfort and enjoyment and is continuing its policy of divesting marginal or uneconomic theatres to bring the Company's theatre plant to maximum efficiency for income and earnings.

At the year end, our Company operated through subsidiaries 537 theatres, of which 276 were owned in fee and 261 were leased.

ARIZONA PARAMOUNT THEATRES *Arizona*
BALABAN & KATZ THEATRES *Illinois*
CALIFORNIA PARAMOUNT THEATRES *California*
FLORIDA STATE THEATRES *Florida*
GREAT STATES THEATRES *Illinois, Indiana, Ohio*
INTERMOUNTAIN THEATRES *Utah, Idaho*
INTERSTATE THEATRES *Texas*
MINNESOTA AMUSEMENT THEATRES *Minnesota, Wisconsin, North and South Dakota*
NEW ENGLAND THEATRES *Massachusetts, Maine, Vermont, New Hampshire, Connecticut and Rhode Island*
NORTHIO THEATRES *Ohio, Kentucky*
PARAMOUNT GULF THEATRES *Louisiana, Mississippi, Alabama, Florida, Texas*
PARAMOUNT PICTURES THEATRES CORP. *New York, Pennsylvania*
PENN PARAMOUNT THEATRES *Pennsylvania*
TENARKEN PARAMOUNT THEATRES *Arkansas, Kentucky, Tennessee*
TEXAS CONSOLIDATED THEATRES *Texas*
TRI-STATES THEATRES *Iowa, Nebraska, Illinois, Missouri*
UNITED DETROIT THEATRES *Michigan*
WILBY-KINCEY THEATRES *Alabama, Georgia, North and South Carolina, Tennessee, Virginia, West Virginia*



During the year 1957, two theatres were acquired and 38 theatres were disposed of. Of the latter, 21 were partly-owned theatres which were required to be disposed of under the Consent Judgment and 17 were wholly-owned theatres which were disposed of either by lease expiration or cancellation, commercialization or sale.

The requirements of the Government Consent Decree were completed in March, 1957. This divestiture program was the largest reorganization and disposition of theatre properties in the motion picture industry and involved assets in excess of $50,000,000. Under this Decree entered on March 3, 1949, the Company, then known as United Paramount Theatres, Inc., was required to reorganize its theatre holdings comprising interests in 1,424 partially or wholly-owned theatres so that, upon completion of the reorganization, the Company would own no more than 651 theatres. By the 1957 year end, 114 theatre dispositions were made beyond the requirements of the Decree involving marginal theatres and properties having greater economic value for use other than as theatres.

Theatre operating profit and substantial cash flow from theatre depreciation together with capital gains income from divestitures, have contributed to the Company's strong financial position and have made available funds for other Company investment requirements.

Theatres are operated on a decentralized basis through subsidiary companies in thirty-six states. So that our shareholders may readily identify these theatre circuits, the names by which they are known in their respective areas are listed on the opposite page.

MOTION PICTURE PRODUCTION

Since theatres require more pictures than have been available from the production companies, AB-PT Pictures Corporation was formed in late 1956 to create an additional source of product as well as to encourage more production from others. Management, experienced in motion picture production, was brought in to direct this operation.

Its activities to date have been limited to the production of moderate budgeted pictures. There has generally been a responsive market to exploitable type pictures with themes like science-fiction as in THE BEGINNING OF THE END and problems of teen-agers as in EIGHTEEN AND ANXIOUS, two of the four pictures released in 1957.

As experience is gained by this subsidiary, pictures with greater production and star value will be considered. To keep production and distribution costs to a minimum, studio facilities are rented and distribution is handled by an established firm in that field.

Broadcasting

Television

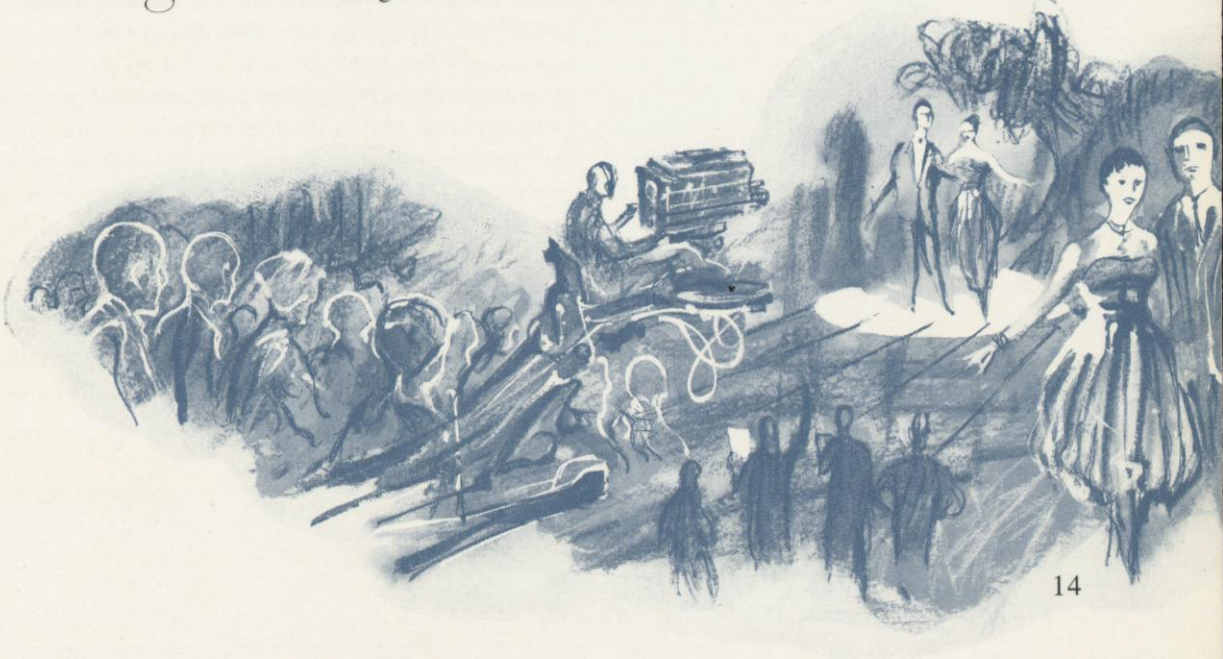
The ABC Television Network has made rapid strides in gaining stature as a fully competitive network. Its progress has been evident in programs and improved market coverage which have produced larger audiences; in fact, ABC-TV enjoyed the most notable circulation increases of the three major television networks. These sizable audience gains, coupled with the network's advantageous cost structure, have attracted advertisers in 1957 who have invested more than $81 million in gross time billings on ABC-TV.

PROGRAMMING

In the important area of programming, ABC-TV developed and marshalled a great array of talent and properties for the 1957-58 season—stars such as Pat Boone, Frank Sinatra and Patrice Munsel in musical programs, the return to television of the great comedy team of Sid Caesar and Imogene Coca, provocative interviews with well-known people by Mike Wallace, and the program MAVERICK —the success of which changed Sunday evening viewing habits.

Among other new programs covering the broad spectrum of public tastes are: THE REAL MCCOYS, highly rated comedy series starring Walter Brennan; popular adult westerns, TOMBSTONE TERRITORY and SUGARFOOT, which alternates with CHEYENNE; the new Disney adventure series ZORRO; special purpose shows, NAVY LOG and WEST POINT; and in sports, the addition of weekly bowling and golf shows.

These programs augmented such well established shows as DISNEYLAND, a family favorite, the music of Lawrence Welk and THE VOICE OF FIRESTONE, comedy with OZZIE AND HARRIET, boxing thrills on WEDNESDAY NIGHT FIGHTS and western adventure



with BROKEN ARROW and WYATT EARP. The popularity of a program such as WYATT EARP is indicated by the size of its audience—over thirty-seven million viewers each week.

The first broad entry was made into daytime television. Working back from the popular MICKEY MOUSE CLUB at 5:30-6:00 P.M., a series of adventure programs, FUN AT FIVE, was added weekdays. Filling out the 3:00-6:00 P.M. programming are DO YOU TRUST YOUR WIFE? and AMERICAN BANDSTAND. The latter musical program featuring Dick Clark rapidly became the leading program in its time period. Further expansion in the daytime period represents a promising area of development for ABC-TV.

NEWS AND PUBLIC AFFAIRS

Early in the year, ABC was voted the prized Peabody Award for its national political coverage – the biggest domestic story of 1956. In 1957, the biggest domestic story was school integration in the South. The News and Public Affairs Department deployed its most experienced newsmen to the troubled areas to handle this potentially inflammatory subject in the most judicious manner. The ABC treatment appears to have been successful, including as it did the sensational "scoops" on the exclusive interviews with Governor Faubus of Arkansas at the height of the Little Rock crisis. Many programs of balanced views were presented throughout the year covering the school integration story. Surprising scientific developments in the Soviet Union, and U. S. efforts in connection with the International Geophysical Year, were covered in a series of special presentations. The COLLEGE NEWS CONFERENCE program, in behalf of the North Atlantic Treaty Organization, presented a series entitled FACES OF FREEDOM, featuring Secretary of State Dulles, Paul Henri Spaak, General Lauris Norstad and other leaders of NATO.

A schedule of information programs was maintained by presentation of JOHN DALY AND THE NEWS, JOHNS HOPKINS FILE 7, DEAN PIKE and OPEN HEARING, where leaders in the national government and other fields appear each week. These, combined with certain entertainment programs such as BOLD JOURNEY, DISNEYLAND and THE VOICE OF FIRESTONE, which have exceptional cultural values, provide a well-balanced schedule of public affairs programs. BOLD JOURNEY, a series of travel and adventure films, has been made part of school programs in many areas and has received exceptional commendations from educators. In fact, a teachers' guide project of this program is being used by 50,000 teachers and two million students throughout the country in geography and social and physical science courses. In the public service

A citation to ABC's "Bold Journey" presented to Oliver Treyz, ABC-TV network president, by Dr. Mowrey, co-chairman of the President's People-to-People program for improvement of international understanding.

area, time for approximately one thousand announcements was provided to the religious faiths, certain governmental services and philanthropic organizations.

FACILITIES AND OPERATIONS

A program can best reach the full potential television audience and compete equally with other network programs if there are comparable affiliate station facilities available. ABC-TV, over the years, has been at a disadvantage since it has lacked such affiliated stations as compared with the already entrenched position of the other major networks.

By action of the Federal Communications Commission in licensing stations, steady progress has been made to create a more fully competitive market coverage status for the three networks. During the year, ABC-TV secured affiliates comparable to the other networks in such important cities as Omaha, Miami, Chattanooga, Orlando, Peoria, Amarillo, Tulsa, Indianapolis, Boston, Norfolk, San Antonio and St. Louis.

While ABC-TV still does not have equal competitive facilities in certain markets, the gap has been appreciably narrowed between ABC and the other networks so that ABC-TV programs are able to reach approximately 85% of television homes on a direct live basis compared with coverage of approximately 76% in the Fall of 1956.

The management organization has continued to be strengthened to keep pace with the expansion of the operation. The network is directly under the supervision of Oliver Treyz, a vice president of ABC who was recently elected president of the network. Thomas Moore, an executive with another network, joined ABC as vice president in charge of sales. Other personnel have been added, particularly in sales and programming.

To accommodate the anticipated growth in the network's business, planned expansion of facilities has been projected. A technical building, the first of new studio facilities at the 23-acre ABC Hollywood location, has recently been completed. In addition, certain properties adjoining the ABC Television Center in New York City have been acquired.

The recently perfected television tape recording machines are now being used by the network on the West Coast and in Chicago in order to facilitate the optimum scheduling of programs in all time zones.

Matters that currently bear on television are investigations of the industry and network practices by certain government groups, pay-TV and the level of the national economy. No one can predict with certainty the outcome of these matters. The reasons for and

New Programs Highlight the Current Season

Popular musical variety show stars Pat Boone.

Sid Caesar and Imogene Coca, television's great comedy team.

"Maverick"—season's most successful western.

"The Real McCoys", top rated comedy series.

Leading entertainer and host of the "Frank Sinatra Show".

Provocative interviews with Mike Wallace.

Versatile stage, screen and opera star of the "Patrice Munsel Show".

Exciting adventures with Walt Disney's "Zorro".

the importance of the general practices and economics of networks have been fully presented to the appropriate investigating agencies. In February 1958, the House Committee on Interstate and Foreign Commerce recommended that the FCC defer its announced trials of pay-TV until further Congressional study could be made. ABC and the other networks have opposed pay-TV primarily because it is not considered to be in the public interest.

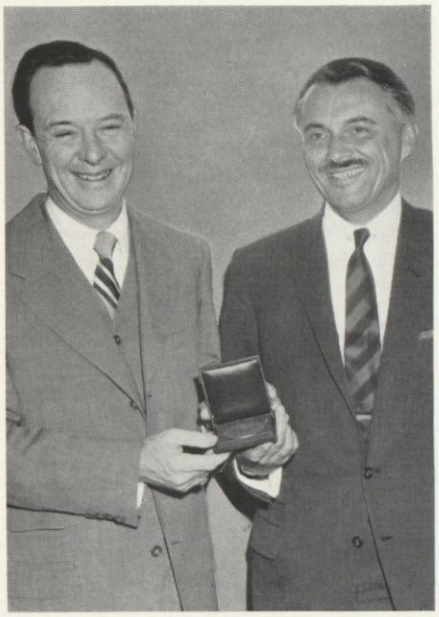
Television continues to expand as the most dynamic of the advertising media. Competition has sharpened – but this is in part a measure of the progress that ABC has made toward pulling abreast of the other networks.

Radio

The strong public interest in radio is evidenced by the continued high level of radio set sales. Radio audiences remain large, augmented by the increasing number of radio listeners in automobiles. However, with the rise of television over the past years, there came a change in listening habits. Radio became a much more personalized medium, reaching listeners via numerous radios throughout the house, rather than remaining a living room medium, catering to the family group as it was in the pre-television period.

With this change came a shift in advertising expenditures—an increase for local stations which reflected the effectiveness of local programming and a decrease for the networks.

In an effort to overcome the decline in network radio and the shift in advertising revenue, it became necessary to consider material changes in the operation. This past year, the network was given separate corporate identification to give it greater flexibility in its operation. New management was brought in which placed primary emphasis on new programming. There is no assurance at this date of broad acceptance by advertisers of this programming and further changes may be required.



Edward P. Morgan (right), ABC news commentator, receives the coveted Peabody Award from John Daly, ABC vice president in charge of news and public affairs.

NEWS AND PUBLIC AFFAIRS

A full schedule of information programs was carried by the network. The hourly news programs were rescheduled to go "live" to all sections of the country and, on a Monday through Saturday basis, to be heard uniformly at five minutes before the hour. Edward P. Morgan was honored by the George Foster Peabody Committee for "the outstanding radio news program of 1956." Special events included all the Presidential news conferences, highlights of the Senate Labor Investigating Committee's hearings, major developments in the school integration crisis and programs devoted to the Russian satellite launchings. These were in addition to the regularly scheduled programs, representing the three major religious faiths, labor-management, the U. S. Agriculture Department and various educational institutions and philanthropies.

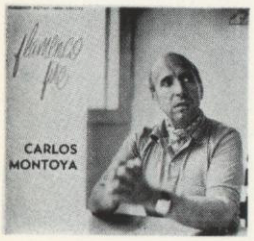
Owned Stations

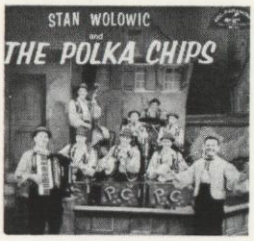
Radio station KQV in Pittsburgh was acquired during the year, making an important addition to the Company's five television and four radio owned and operated stations. These stations, plus a one-half interest in radio station WLS in Chicago, are located in five of the seven largest markets in the country: WABC (TV, AM, FM)—New York; WBKB (TV, FM)—Chicago; WXYZ (TV, AM, FM)—Detroit; KGO (TV, AM, FM)—San Francisco; and KABC (TV, AM, FM)—Los Angeles.

The television stations have benefited in ratings and revenues from the improved network programming. In addition, successful local programming and active participation in community service have served to maintain a leading position for our stations in their respective areas.

During the year, WBKB's activities were centralized in new and enlarged facilities in the ABC-State Lake Building in Chicago. Property has been acquired to consolidate the Detroit radio and television operation, which is presently in three separate locations. This change in Detroit, together with the increase in the height of the station's television antenna, will result in greater efficiency and in substantially improved service of the market area. New management personnel have been added to build audience and volume for the West Coast radio stations and the most recent acquisition, KQV in Pittsburgh.

Records





In the second complete year of business Am-Par Record Corp. exceeded the fine pace it set during its initial year. Successful "hit" recordings and a notable number of well-accepted long-playing albums have added to the prestige and worth of the ABC-Paramount catalogue.

The year began with the accomplishment of registering our first one-million seller, "A Rose and a Baby Ruth", featuring George Hamilton IV. Thoroughly establishing the label with disc jockeys, jukebox operators, retail record dealers and the consumer public were such recordings as "I'll Take Romance", "Your Kisses Kill Me" and "Love Me Forever", all by Eydie Gormé, "Wringle Wrangle" by Bill Hayes, the very successful "Just Because" featuring Lloyd Price, the introduction of Paul Anka with his two-million seller "Diana" including domestic and foreign sales, "Black Slacks" by Joe Bennett and The Sparkletones, "High School Romance" by George Hamilton IV and "I'll Walk Alone" which called national attention to the voice of Johnny Nash. These, in addition to many others, served to focus attention on the ABC-Paramount label which, in a most competitive industry, became firmly established.

In the latter part of the year, a number of ABC-Paramount records achieved distinction in being listed on the best-selling charts. "At the Hop" by Danny and The Juniors passed the million mark just nine weeks after its release. George Hamilton IV with the fast-selling "Why Don't They Understand?", Johnny Nash with "A Very Special Love", Paul Anka with "You Are My Destiny", Clint Miller's recording of "Bertha Lou" and Joe Bennett and The Sparkletones' "Penny Loafers and Bobby Sox" were among these "hit" recordings.

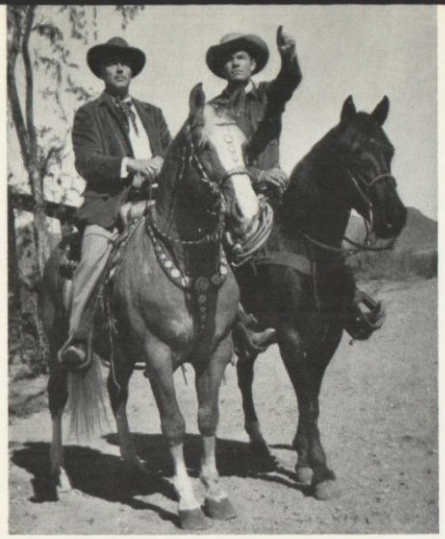
In addition to approximately 225 single records released to date, 110 long-playing albums have been released, many of which have received fine public acceptance. Distribution arrangements were made in foreign markets which will be expanded in the coming year.

Paul Anka

Eydie Gormé

George Hamilton IV

Johnny Nash



Tris Coffin stars in the television film series, "26 Men", based on adventures of the Arizona Rangers.

Film Syndication

ABC Film Syndication, Inc., a subsidiary company, materially expanded its sales of new and previously released television film series to television stations and advertisers, both nationally and internationally.

In the past year it released its most successful new series to date, "26 Men", an adult western based upon the true adventures of the Arizona Rangers. Response to this program has been very gratifying. Within a few months after its release it was sold in over 130 television markets to television stations and local, regional and national spot advertisers and is currently in 165 markets both here and abroad.

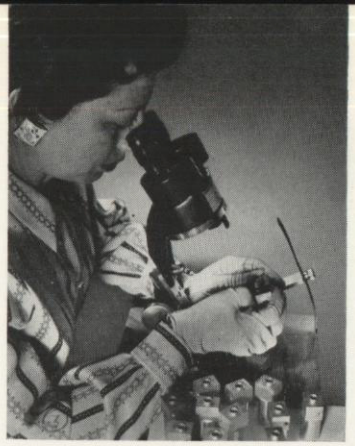
The Company has added sales representatives in a number of foreign markets and properties have been sold in two or more cities in the following countries: Japan, Australia, Cuba, Puerto Rico, Mexico, Venezuela, England and Guatemala. Five properties have been dubbed into Spanish for the Latin American markets: "Code 3", "Racket Squad", "Sheena, Queen of the Jungle", "The Three Musketeers" and "Passport To Danger". Dubbing on others is presently being planned.

In 1958, ABC Film Syndication expects to offer several new properties to advertisers and television stations.

Disneyland Park

Disneyland Park, in which our Company has an approximate 35% stock interest, continued to maintain its position as one of the nation's outstanding amusement centers and tourist attractions. Since its opening in July 1955, over ten million people have visited the Park, created by Walt Disney and his associates and located in Anaheim, California.

Prior to this past summer's peak business season, a number of rides and attractions were added, such as SLEEPING BEAUTY, MIDGET AUTOPIA, FRONTIERLAND SHOOTING GALLERY, MOTOR BOAT CRUISE and HOLIDAYLAND. The added capacity and other improvements contributed to better accommodations for visitors, an 11% increase in paid admissions and a 45% increase in the number of rides taken for the year through September, 1957.



Microscopic analysis of magnetron assembly at Microwave Associates.

Precision mechanical and electromechanical devices developed in Technical Operations' model shop.

Mechanical balance produced by Dynametrics to measure forces on aircraft and missiles.

Electronics

A stock interest ranging from 25% to 30% is held in three growing electronic concerns, Microwave Associates, Inc., Technical Operations, Inc. and Dynametrics Corporation—all having recently occupied adjoining new plants in Burlington, Massachusetts.

Microwave Associates has increased its business in the development and manufacture of microwave equipment, radar components and magnetrons. Its newly developed semi-conductors and tubes are being utilized in many of the government's important missile programs.

Contract research and development activities of Technical Operations cover many industrial and scientific fields. The development of a grainless photographic film, generation of X-Rays of very high intensity and the study of factors to insure safe atomic power plants are a few of its projects. A transistorized power supply unit has been developed and is marketed through Power Sources, Inc., a company owned jointly with Microwave Associates. This power supply unit is being used in intercontinental ballistic missiles and is also designed for radio and television stations.

The basic work of Dynametrics Corporation (formerly, Wind Tunnel Instrument Company), is contract engineering and wind tunnel instrumentation for aircraft companies, laboratories and government agencies. Concurrent with the recent change of its corporate name, the company has broadened its product line to include force and measuring systems and instruments that have wide application in industries in addition to aeronautics.

It is with deep sorrow that we record the passing during the year of John Balaban and William T. Kilborn, directors of the Corporation since its inception. Mr. Balaban was a pioneer in the motion picture business and later in television broadcasting. Mr. Kilborn enjoyed an outstanding reputation as a business and community leader. Both men made valuable contributions to the progress of our Company for which we are indebted.

PRICE WATERHOUSE & CO.

50 PINE STREET
NEW YORK 5

March 14, 1958

To the Directors and Shareholders of
American Broadcasting-Paramount Theatres, Inc.

In our opinion, the accompanying consolidated balance sheet and related statements of profit and loss and surplus, together with the explanatory notes, present fairly the position of American Broadcasting-Paramount Theatres, Inc. and consolidated subsidiary companies at December 28, 1957 and the results of their operations for the fiscal year (52 weeks) then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse & Co.

Consolidated

ASSETS

	December 28, 1957	December 29, 1956
CURRENT ASSETS:		
Cash	$ 22,419,131	$ 27,263,817
United States government securities (at approximate market or redemption value)	8,265,340	1,723,586
Accounts and notes receivable, less reserves:		
Accounts receivable, trade	18,671,758	14,924,798
Notes receivable from disposal of theatre interests since January 1, 1950	185,472	168,943
Affiliated companies	220,667	121,942
Officers and employees	131,864	65,941
Sundry notes and accounts	1,697,418	1,579,213
Broadcasting program rights, film costs and production advances, less amortization	8,976,282	8,779,381
Inventory of merchandise and supplies, at cost or less	959,288	971,685
Total current assets	$ 61,527,220	$ 55,599,306
INVESTMENTS, LESS RESERVES (See Note A):		
Affiliated companies:		
Capital stocks	$ 5,244,369	$ 2,795,559
Advances	2,180,881	2,218,893
Notes receivable from disposal of theatre interests since January 1, 1950, due after one year	468,902	1,024,567
Other notes and accounts due after one year	884,035	1,323,063
Miscellaneous	2,010,588	1,467,190
	$ 10,788,775	$ 8,829,272
FIXED ASSETS (See Note B):		
Land	$ 23,672,725	$ 22,960,558
Buildings, equipment and leaseholds	109,882,247	110,982,632
Less—Reserves for depreciation and amortization	(64,637,969)	(64,441,717)
	$ 68,917,003	$ 69,501,473
INTANGIBLES, at cost	$ 9,375,350	$ 8,756,620
OTHER ASSETS:		
Deposits to secure contracts	$ 872,885	$ 890,377
Prepaid expenses and deferred charges	2,644,580	2,615,399
	$ 3,517,465	$ 3,505,776
	$154,125,813	$146,192,447

Balance Sheets

LIABILITIES AND CAPITAL

		December 28, 1957	December 29, 1956
CURRENT LIABILITIES:			
Accounts payable and accrued expenses (including unremitted collections of admission and payroll taxes—December 28, 1957, $650,000)		$ 15,250,050	$ 12,807,921
Federal taxes on income, estimated		3,640,510	7,656,838
Less—U. S. Treasury notes		(3,640,510)	(6,357,428)
Notes and mortgages payable within one year		429,035	291,870
Total current liabilities		$ 15,679,085	$ 14,399,201
FUNDED DEBT DUE AFTER ONE YEAR:			
Notes issued under Loan Agreement (See Note C)		50,000,000	43,834,000
Other notes and mortgages		2,209,184	1,802,886
OTHER LIABILITIES:			
Advance payments, self-liquidating		1,444,168	649,315
Miscellaneous		845,115	1,136,186
Total liabilities		$ 70,177,552	$ 61,821,588
RESERVE FOR CONTINGENCIES (See Note D)			$ 239,192
INTEREST OF MINORITY STOCKHOLDERS IN CAPITAL AND SURPLUS OF SUBSIDIARY COMPANIES		$ 229,735	$ 248,677
CAPITAL STOCK AND SURPLUS (See Note E):			
5% Preferred stock, authorized 324,701 shares, $20 par value			
Shares issued	324,699-28/100ths	$ 6,493,986	$ 7,456,986
Less — Shares held in treasury	1,300		
Shares outstanding	323,399-28/100ths		
Common stock, authorized 5,000,000 shares, $1 par value			
Outstanding — 4,149,363-14/38ths shares		4,149,363	4,145,809
Capital surplus		45,909,302	45,989,956
Earned surplus		27,190,887	26,778,273
		$ 83,743,538	$ 84,371,024
Less — Cost of preferred shares in treasury		25,012	488,034
		$ 83,718,526	$ 83,882,990
CONTINGENT LIABILITIES (See Note F)			
		$154,125,813	$146,192,447

Consolidated Profit and Loss and Surplus Accounts

PROFIT AND LOSS ACCOUNT

	1957	*1956*
INCOME:		
Theatre admissions, rentals and vending profits	$ 95,280,214	$100,564,804
Television and radio time and program sales, less discounts, rebates and commissions to advertising agencies	109,393,113	98,759,306
Dividends from affiliated companies	79,210	154,891
Merchandise sales, film rentals and other income	11,124,489	7,436,704
	$215,877,026	$206,915,705
EXPENSES:		
Theatre and broadcasting operating expenses, cost of merchandise sold, film costs, selling and administrative expenses and sundry taxes	$196,733,059	$181,862,282
Interest expense	2,070,974	1,426,887
Depreciation and amortization of buildings, equipment and leaseholds	7,282,735	7,883,964
Profits applicable to minority holders of stocks of subsidiary companies	5,017	18,027
Federal income tax	4,885,000	7,990,000
	$210,976,785	$199,181,160
PROFIT FROM OPERATIONS	$ 4,900,241	$ 7,734,545
CAPITAL GAINS (LOSSES), net, after applicable Federal income tax	(5,717)	742,171
PROFIT FOR THE YEAR	$ 4,894,524	$ 8,476,716

SURPLUS ACCOUNTS

	Earned	*Capital*
BALANCE AT BEGINNING OF YEAR	$ 26,778,273	$ 45,989,956
ADD or (DEDUCT):		
Profit for the year	4,894,524	
Dividends paid in cash:		
5% Preferred stock at $1.00 per share	(334,324)	
Common stock at $1.00 per share	(4,147,586)	
Proceeds in excess of par value of 3,555 shares of common stock issued upon exercise of stock purchase options		55,565
Purchase price in excess of par value of 48,154 shares of 5% Preferred stock retired		(2,287)
Settlements and costs of anti-trust litigation applicable to period prior to December 31, 1949 (See Note D)		(134,969)
Other changes		1,037
BALANCE AT END OF YEAR	$ 27,190,887	$ 45,909,302

BASIS OF CONSOLIDATION:

Included are all subsidiary companies in which the common stocks are wholly owned directly or indirectly by American Broadcasting-Paramount Theatres, Inc., and the few companies which are owned to the extent of 85% or more.

NOTE A–INVESTMENTS:

Investments in and receivables from affiliated companies not consolidated are carried at cost to a predecessor company, Paramount Pictures Inc., to American Broadcasting-Paramount Theatres, Inc., or to subsidiaries.

Investments in affiliated companies include $3,000,000, the purchase price of the outstanding preferred stock of Hobart Productions, Inc., which holds a contract for the services of Frank Sinatra. Its outstanding common stock is owned by Sinatra interests. Hobart Productions, Inc. has the option to redeem the preferred stock at par on or prior to December 31, 1960. Any stock not so redeemed will be automatically converted into common stock and if no redemption takes place the resulting common stock will represent a 40% interest in Hobart Productions, Inc.

The miscellaneous investments include $1,845,970, the carrying value of unliquidated investments in certain theatres sold. These investments consist of stock and property interests sold since January 1, 1950 under contracts of sale secured by liens on the assets disposed of, at prices amounting in the aggregate to $9,453,200. The sales prices, with interest thereon in most cases, are payable in instalments which in some cases are fixed periodic amounts but in the main are variable contingent amounts determined by the contractual provisions of the particular sale, and have final maturities in various years extending to 1983. Of the total sales prices, $8,410,533 remained uncollected at December 28, 1957 and the difference between this amount and the present carrying value of the investments is a contingent profit which will be taken into the profit and loss accounts proportionately over future years as additional instalments of the sale prices are collected.

NOTE B–FIXED ASSETS:

The fixed assets, with minor exceptions, are carried at cost, less depreciation, to the predecessor companies, Paramount Pictures Inc. and American Broadcasting Company, Inc., to American Broadcasting-Paramount Theatres, Inc., or to subsidiaries. Two properties of a consolidated subsidiary carried at a book value of $193,979 are subject to a mortgage in the maximum amount of $293,333 pledged to secure performance under certain leases of such subsidiary.

NOTE C–NOTES ISSUED UNDER LOAN AGREEMENT:

These notes comprise (1) $7,500,000 of 3.95% notes due $1,250,000 semi-annually from July 1, 1959 to and including January 1, 1962 and (2) a 4.2% note in the amount of $42,500,000 payable $1,250,000 semi-annually from July 1, 1962 to and including July 1, 1972 and $1,625,000 semi-annually from January 1, 1973 to and including July 1, 1977. The Loan Agreement, as amended in February 1958, provides that during the first nine months of 1959 the Company will borrow $5,000,000 and has the option to borrow an additional $5,000,000 to be evidenced by 4.2% notes due January 1, 1978.

NOTE D–RESERVE FOR CONTINGENCIES:

Reserve for contingencies was intended to provide for settlements of anti-trust litigation and other contingencies applicable to the period prior to December 31, 1949. During the year payments in settlement of certain litigation and costs in connection therewith amounted to $374,161, of which $239,192 was charged to the reserve, thereby exhausting the balance thereof, and $134,969 was charged to capital surplus. Payments made after December 28, 1957 with respect to such litigation will be charged to capital surplus.

NOTE E—CAPITAL STOCK AND SURPLUS:

There were outstanding on December 28, 1957 option warrants issued to officers and employees under the Common Stock Option Plan which entitled the holders to purchase 20,000 shares of the Company at $25.18 per share on or before March 23, 1963. No other shares are reserved for issuance under options, warrants or any other rights.

The Company is required in each year to set aside cash as a sinking fund for the redemption of 24,322 shares of 5% Preferred Stock. The sinking fund redemption price is presently $20.20 and reduces to $20 after June 30, 1958. The Company may take credit, at the sinking fund redemption price, for any shares which it may have purchased or redeemed otherwise than through the sinking fund. Shares have been applied in full satisfaction of the sinking fund through 1957 and 163,036 additional shares purchased or redeemed are available for sinking fund requirements of subsequent years.

Under the Loan Agreement there are certain restrictions on the Company in declaring or paying any dividends (otherwise than in shares of capital stock of the Company) or making, or permitting any "restricted" subsidiary to make, any purchase, redemption or retirement of, or any other distribution upon, any of the shares of capital stock of the Company (otherwise than in such shares), said "stock payments" being permitted only to the extent of $3,400,000 plus (1) the consolidated net earnings of the Company and its "restricted" subsidiaries (excluding amounts representing capital gains, less applicable taxes thereon) since December 31, 1955, and (2) the aggregate amount received subsequent to December 31, 1955 as the net cash proceeds of sales of shares of capital stock of the Company to the extent that such amount does not exceed the aggregate amount applied, subsequent to December 31, 1955, to the purchase, redemption or other retirement of shares of capital stock of the Company. These restrictions had the effect of making the capital surplus and $22,083,464 of the consolidated earned surplus at December 28, 1957 unavailable for such "stock payments."

NOTE F—CONTINGENT LIABILITIES:

For indemnities given in connection with transactions consummated in the rearrangement of theatre assets, for additional Federal income taxes and for pending litigation, including anti-trust suits, to many of which a predecessor company, Paramount Pictures Inc., and other major motion picture companies are defendants (amount not determinable).

Under the Plan of Reorganization of Paramount Pictures Inc., the Company assumed 50% of the expense and liability incurred in connection with anti-trust litigation where distribution and exhibition are involved and which is based upon occurrences prior to the dissolution of Paramount Pictures Inc. on December 31, 1949.

NOTE G—RENTALS UNDER LEASES OF REAL PROPERTY:

American Broadcasting-Paramount Theatres, Inc. and its consolidated subsidiaries were liable as of December 28, 1957 under 302 leases of real property expiring subsequent to December 31, 1960 under which the minimum annual rental was approximately $5,570,000. The minimum annual rentals stipulated in these leases which expire during the three five-year periods ending December 31, 1975 and subsequent to that date are as follows:

Leases expiring:

During the 5 years ending:	
December 31, 1965	$1,966,000
December 31, 1970	1,488,000
December 31, 1975	1,007,000
Subsequent to December 31, 1975	1,109,000
	$5,570,000

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